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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #01535-85
27 March 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: 20 March 1985 East Asia Warning and Forecast
Meeting

Japan, Tanaka's Stroke:

Following opening remarks by the NIO, [redacted] OEA/Japan Branch presented a review of the events since Tanaka's stroke 27 February and provided the following assessment of that stroke on Japanese internal politics. Tanaka's stroke is apparently worse than originally reported, [redacted]

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[redacted]
This means that Tanaka's days as kingmaker are probably over. Senior members of the Tanaka faction have begun maneuvering to position themselves for the power struggle likely to take place if it becomes clear that Tanaka cannot return. Disruptive inter-factional strife is unlikely to take place until the end of this Diet session--probably in June or July--when the LDP's major legislative packages will have been passed.

FORECAST:

If Tanaka is out of the picture, the leadership of his faction will be up for grabs. We doubt that the faction will split, but subgroups will likely form along the following lines: Takeshita 80-90 members, Nikaido 20-30 members; and Gotoda the remainder. The passage of Tanaka marks the beginning of a generational change in this faction and could trigger the long-building ground swell for generational changes throughout the LDP.

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The impact of this on Prime Minister Nakasone in the short term is unclear. Tanaka's stroke probably ends any expectations Nakasone may have had for a third term. As for the LDP, it may suffer some turmoil as a result of the passing of Tanaka but serious problems are unlikely. A split within the party is even less likely. As the next LDP presidential election draws near late next week, Nakasone's greatest influence will derive from his influence over the selection of a successor. It is impossible to predict who that will be at this time.

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Japan Trade:

The NIO presented a brief review of the recent round of trade talks in Tokyo focusing on the confusion resulting in Japan from these talks. [redacted] OEA/Japan Branch, gave a detailed review of the status of MOSS talks. While the previous warning meeting had been extremely pessimistic on the outlooks for MOSS, the recent talks in Tokyo have tempered that pessimism though not greatly. Indications are that technical issues will receive sufficient attention so that progress can be made, however, in terms of solving the larger US-Japan trade imbalance, pessimism still reigns. Sector events that are encouraging include: in the forest products area, the aid package which the LDP is proposing to assist those sectors of the lumbering industry that would be impacted by lower tariffs; In the pharmaceutical area, it appears likely that foreign clinical tests will be accepted for new equipment thus easing the problem of US firms attempting to penetrate the US market; In telecommunications, the number of standards for new equipment will be reduced; and in the electronics area, MITI has apparently agreed that software will be protected for the full 50 years by copyright. [redacted]

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[redacted] We attribute this change to their fear of retaliation by the US and Nakasone's personal intervention in each of the areas. His instructions to cabinet officials to take the necessary actions to ensure that progress is made doubtless had some positive affect. The list of trade objectives presented by the US team during the recent talks, however, are being treated by the Japanese as a shopping list --not requiring rapid action. Indeed, indications are that they will concentrate on those that they believe are least disruptive and deal with the rest only in the next two or three years.

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FORECAST:

The outlook for significant progress in the various market opening sector specific efforts remains mixed. Many in Japan think the US is naive in expecting that the requested changes will produce noticeable improvement in the US/Japan trade deficit. There will be

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technical progress in each of the areas and it will be of significant magnitude that the Economic Summit will not founder on the issue of Japanese market opening efforts. Nevertheless, this technical progress is unlikely to produce any significant improvement in the trade imbalance during the next several years. US manufacturers, however, should be able to sell more goods to Japan over the longer term if the yen/dollar misalignment is rectified.

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South Korea:

The results of the recent election contain an air of "deja vu" (in that the opposition party leadership has returned to those who led opposition to Chun's rise to power in 1979-80). In this instance, however, rivalry between opposition factions was temporarily quelled and their united front permitted a much clearer reflection of popular feelings. Whether or not this cooperation will last remains to be seen. We expect the opposition to avoid raising their most provocative demands in the assembly until the government shows how far it is willing to go toward accommodation. Complicating the picture is the struggle now going on amongst Chun Doo Hwan's advisors. It is not clear as yet whether the hard liners or the moderates are in the ascendancy, although the former have the inner track with Chun. However, Chun appears to appreciate both positions. His recent appointments reflect his efforts to keep both sides pacified.

FORECAST:

In the months ahead we expect Chun Doo Hwan's party to attempt to keep the opposition united by engaging it in the parliamentary process and thus trying to prevent splinter groups from leaving, taking to the streets and rallying students. We doubt that in the long run Chun will be successful. However, to the extent that he is, it will reduce the level of violence he has to deal with. We expect student activism to be higher than in previous years and potentially more violent if Chun digs in his heels on political reform. The newly approved activities in which students may participate also may divert student energies from violent protest. Nevertheless, the upcoming anniversary of the overthrow of President Rhee and Kwangju incident will doubtless spark some demonstrations. The only question is how forceful they will be. If they get out of hand we expect Chun's hardline advisors to prevail and the military to act forcefully.

Kim Dae Jung's return to Korea appears to have been more well timed than we had originally expected. He is rebuilding his

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following and we expect he will continue to lay the foundations for future political activities. The military still harbors a strong dislike toward Kim Dae Jung and because they view him as a threat to internal political stability they will not hesitate to step in if Chun is unable to control Kim's activities. We doubt that the widespread public desire to keep the '88 Olympics on track will be sufficient to force either side to compromise. Likewise we expect Chun's reaction to be harsh to any perceived threat to his survival. He is unlikely to yield to pressures from the opposition even if it jeopardizes the positive benefits he expects to receive from the Olympics. If the military is forced to intervene, we doubt that they will step in support of Chun, rather there will probably be someone different emerging as the leader of South Korea.

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Taiwan:

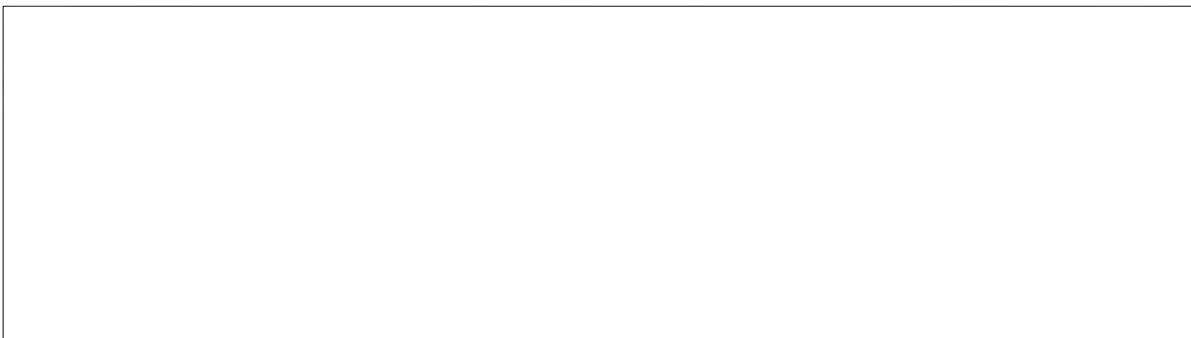
Three events in recent months have led to a major change in the complexion of Taiwanese politics. These events were the murder of Henry Liu, the resignation of the KMT secretary and the resignation of the Minister of Economics because of the bank scandals. As a result of these events Chiang Ching-kuo has been under increased pressure from hardliners who increasingly have become his inner circle of advisors. This has led to a hardening of US-Taiwan issues, in particular, the F20 fighter aircraft question. The PRC is already taking advantage of this harder line position, and Taiwan's embarrassment over the Henry Liu affair, to strengthen its position with the US at the expense of Taiwan.

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #01379-85
13 March 1985

MEMORANDUM FOR: Distribution
FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia
SUBJECT: Proposed Agenda for the 20 March 1985 East Asia
Warning and Forecast Meeting

1. The monthly Warning and Forecast Meeting is scheduled for Wednesday, 20 March 1985, at 1400 hours in Room 7E62, CIA Headquarters.

2. Participants should be prepared to discuss the following topics. Keep in mind that our objective is to identify collection gaps and make forecasts rather than review current intelligence.

3. At this warning meeting we will discuss and make forecasts concerning the following topics:

1400-1405 Opening Remarks (NIO)

1405-1415 South Korean Political Stability - Chun's Tenuous Position--Possible Pitfalls

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1415-1420 Discussion

1420-1430 Resurgence of Conservative Political Forces on Taiwan--Impact on Internal Policies and Relations with the U.S.

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1430-1435 Discussion

1435-1440 Japanese Response to US Market Opening Proposals

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1440-1445 Discussion

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SUBJECT: Proposed Agenda for the 20 March 1985 East Asia Warning and Forecast Meeting

1445-1450 Tanaka's Stroke: Impact and Prognosis for Tanaka Faction's Future (Japan Branch)

1450-1455 Discussion

1455-1500 Summation and Closing Remarks (NIO)

4. Please phone your attendance intentions to [redacted] and have your clearances verified to us by your security office by COB 18 March 1985. Seating in 7E62 is limited, therefore, timely arrival is suggested. Visitor parking is at a premium and participants are encouraged to use the shuttle buses or carpool to the meeting.

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